

HOUSING MARKET OUTLOOK

Saskatoon CMA



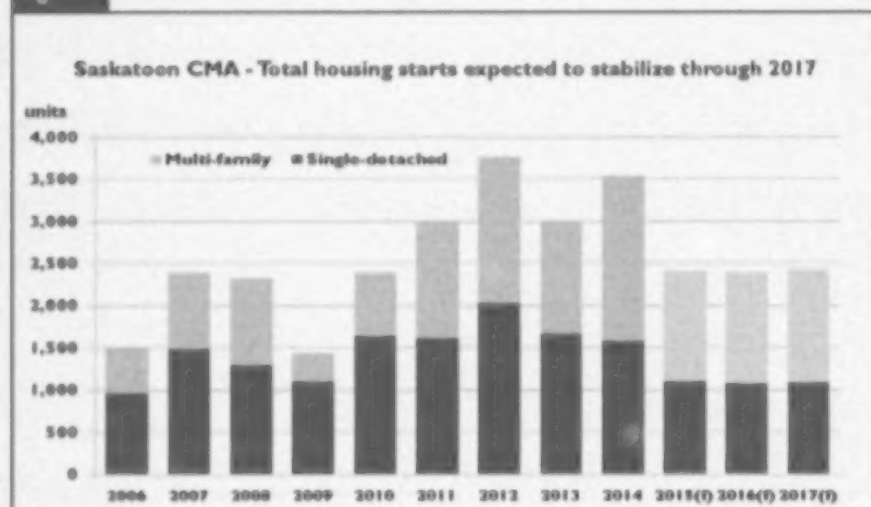
CANADA MORTGAGE AND HOUSING CORPORATION

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Highlights¹

- Housing starts will edge higher in 2017 after being constrained by rising inventory in 2016
- MLS^{®2} sales in Saskatoon will decrease in 2015 and rise steadily through 2017
- Average resale price to decline in 2015 due to buyer's market conditions, rise slightly through 2017
- Labour market conditions will continue to draw migrants to Saskatoon over the next two years

Figure 1



Source: CMHC, CMHC Forecast (f)

¹ The outlook is subject to uncertainty. Although point forecasts are presented in the publication, CMHC also presents forecast ranges and risks where appropriate. The forecasts and historical data included in this document reflect information available as of September 28, 2015.

² Multiple Listing Service[®] (MLS[®]) is a registered trademark owned by the Canadian Real Estate Association.

Table of Contents

- 1 Highlights
- 2 New Home Market:
After a sharp decline in 2015, total housing starts expected to stabilize through 2017
- 3 Existing Home Market:
MLS[®] sales down in 2015, but will remain relatively stable in 2016 before rising in 2017
- 3 Rental market:
Slower job growth, lower net migration, and increased rental supply will keep vacancies elevated through 2017
- 4 Economic Trends:
Slower job growth and lower net migration expected through 2017
- 6 Trends at a Glance
- 7 Forecast Summary

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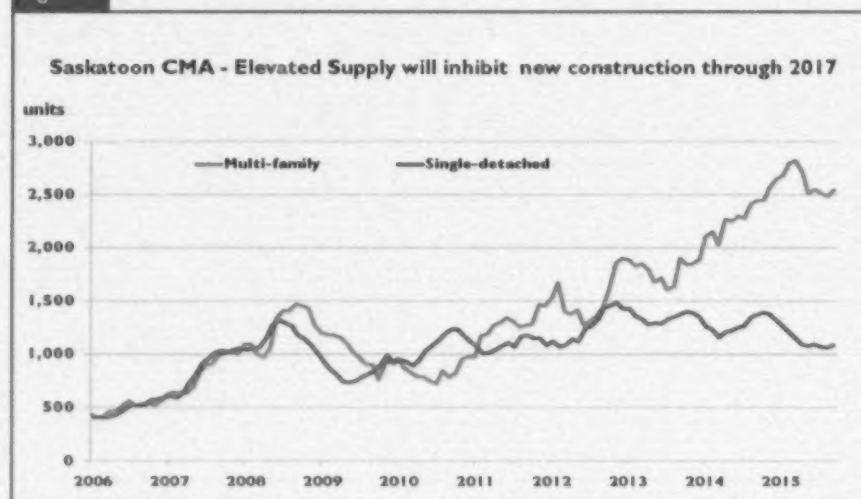


New home market: After a sharp decline in 2015, total housing starts expected to stabilize through 2017

Total housing starts in the Saskatoon Census Metropolitan Area (CMA) are on pace to reach 2,400 units in 2015, down 32 per cent from 3,531 units in the previous year. This year, lower oil prices have impacted Saskatoon's labour market, moderating employment growth and yielding a higher unemployment rate. This has in turn lowered net migration to the region, thus further reducing housing demand. The combination of weaker economic conditions, elevated new home inventory and competition from a well-supplied resale market has prompted new home builders to scale back production this year. In 2016, housing starts are forecast to remain near this level at 2,390 units, as lower net migration and inventory reduction continue to moderate new home construction. A gradual improvement in economic conditions will support a slightly higher level of housing starts by 2017, at 2,420 units.

New construction of single-detached homes in Saskatoon is on pace to record its lowest level of starts this year since 2009 at 1,100 units. This will represent a 30 per cent reduction from the previous year. Softer economic conditions and elevated inventory have slowed single-detached starts this year. Next year, employment growth will not be enough to attract more migrants to Saskatoon. As such, builders of single-detached homes will be prompted to reduce starts further to 1,080 units in 2016. However, improving economic condition and a depletion of inventory during the latter part of 2016 and into the following year will result in a

Figure 2



Source: CMHC, under construction plus complete and unabsorbed

modest rise in single-detached starts to 1,090 units in 2017.

A total of 689 single-detached homes were initiated during the first eight months of 2015, down 36 per cent from the same period a year earlier. Despite the reduction, the inventory of complete and unabsorbed single-detached units stood at 318 units in August, up 60 per cent from 199 in August 2014. Moving forward, local builders will continue to manage inventory in the face of moderating new home demand, especially since more than 90 per cent of the single-detached inventory in Saskatoon consists of spec homes.

With fewer starts this year there will be less upward pressure on input costs measured by Statistics Canada's New House Price Index (NHPI). To this end, no growth is expected in the NHPI this year, with modest gains of 0.8 per cent and 1.2 per cent projected for 2016 and 2017, respectively. Correspondingly, the average new home price in Saskatoon is forecast to rise by 1.8 per cent to \$455,000 in 2015, largely due to

compositional factors. Further gains to \$462,000 and \$470,000 are expected in 2016 and 2017, respectively.

Multi-family starts, which include semi-detached, row, and apartment units, are forecast to decline 34 per cent to 1,300 units in 2015, followed by modest increases to 1,310 units and 1,330 units in 2016 and 2017, respectively. While the past few years have seen an increase in the demand for lower-priced options in the multi-family sector such as condominium apartments, weaker economic conditions and elevated inventory have prompted a slower pace of new construction of multi-family units this year. Moving forward, this reduction is expected to continue as inventory management becomes imperative.

To the end of August 2015, 798 multi-family units were started in Saskatoon, 39 per cent fewer than during the same period one year prior. Despite fewer starts, the inventory of complete and unabsorbed multi-family units in Saskatoon's ownership market stood at 292 in August 2015, up 19 per cent from a year ago, and

above the five-year average of 187 units. More than half of this inventory consisted of row units or townhouses, which poses the risk of a decline in construction of these dwelling types in the months ahead.

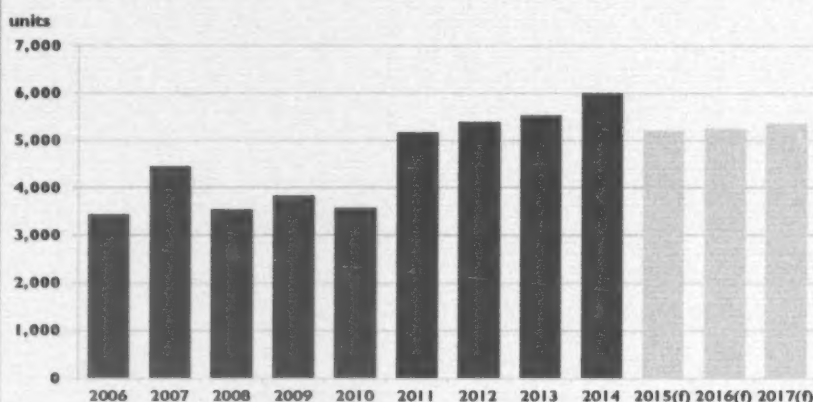
Existing home market: MLS® sales down in 2015, but will remain relatively stable in 2016 before rising in 2017

Saskatoon's MLS® sales are forecast to decline to 5,200 units in 2015, down 13 per cent from the near 6,000 sales achieved in 2014. The impact of lower oil prices on employment and income growth has moderated demand for existing homes in Saskatoon this year. Additionally, weaker labour market conditions have lowered net migration to region, thus further reducing resale and rental demand. In 2016, MLS® sales are forecast to remain relatively stable at 5,260 units, supported by a slight improvement in economic conditions towards the latter part of that year. As employment growth is forecast to gain more traction the following year, a slightly higher level of sales is projected for 2017 at 5,350 units.

From January through August 2015, MLS® sales in Saskatoon numbered 3,721 units, 12.5 per cent fewer than in the same period of 2014. Of note, there were fewer sales during each of the eight months compared to the previous year. Meanwhile, supply has continued to rise with active listings averaging 3,173 units in the first eight months of 2015, compared to an average of 2,666 units in the same period one year prior. With supply rising faster than demand, market balance has remained in favour of the buyer so far this year.

Figure 3

Saskatoon CMA - MLS® sales to decline in 2015, rise slightly in 2016 and 2017



Source: CREA, CMHC Forecast (f)

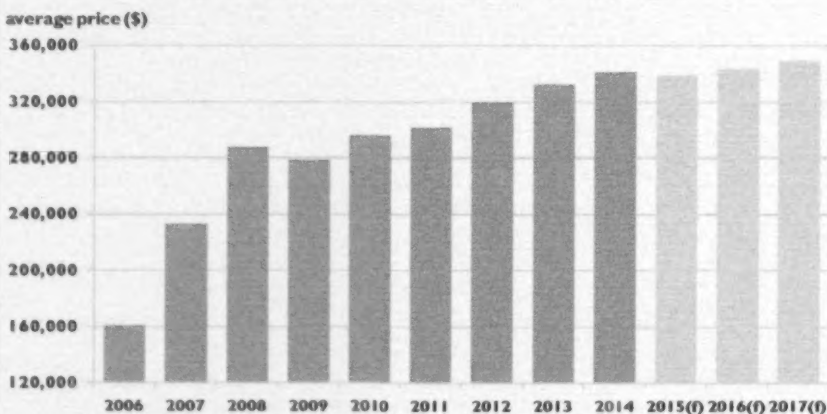
Under these market conditions, the average MLS® price in Saskatoon is forecast to decline 0.7 per cent to \$338,700 in 2015 from \$341,061 in 2014. As market balance improves, modest increases in the average resale price to \$343,800 and to \$349,200 are projected for 2016 and 2017, respectively.

Rental market: Slower job growth, lower net migration, and increased rental supply will keep vacancies elevated through 2017

The average apartment vacancy rate in the Saskatoon CMA is forecast to rise

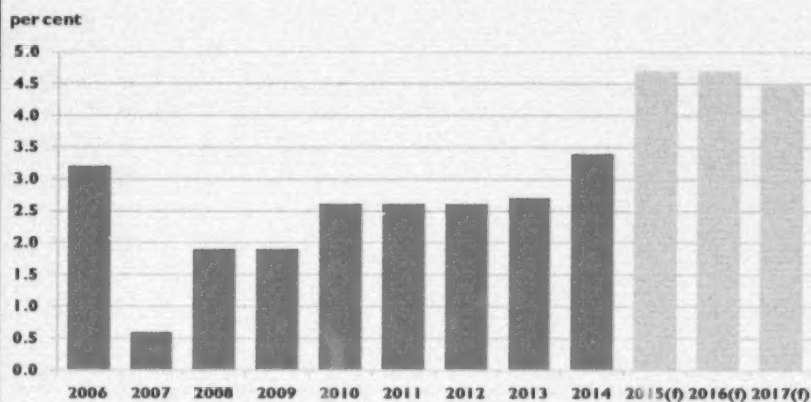
Figure 4

Saskatoon CMA - MLS® average price to decline in 2015, edge higher through 2017



Source: CREA, CMHC Forecast (f)

Figure 5

Saskatoon CMA - Apartment vacancy rate to remain elevated through 2017

Source: CMHC, Fall Rental Market Survey, CMHC Forecast (f)

to 4.7 per cent in October 2015 from 3.4 per cent in 2014, and remain at that level in 2016. An improvement in economic conditions in the following year will support slightly stronger rental demand, which is expected to bring down the average apartment vacancy rate to 4.5 per cent in October 2017. Slower employment growth and lower net migration have reduced rental demand this year, while lower priced new home options in Saskatoon's multi-family sector have allowed some renter households to move into home ownership. On the supply side, the number of new rental apartments has continued to rise, with 143 rental apartments started during the first eight months of this year in addition to the 340 apartments initiated in 2014. As more of these units are completed, this will continue to put upward pressure on vacancies this year as supply increases. Thus far, a total of 232 rental apartments were completed from January through August 2015.

With vacancies projected to rise this year, landlords will be less inclined to raise monthly rents too aggressively

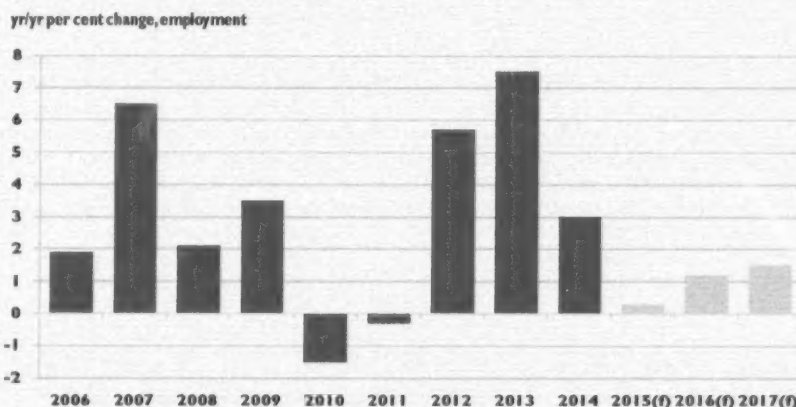
in the months ahead. Nonetheless, the addition of newly completed units to the rental universe at higher price points will help push up the average monthly rent for a two-bedroom apartment in Saskatoon to \$1,115 in October 2015 and to \$1,130 in October 2016. A further increase to \$1,140 is projected for October 2017.

Economic trends: Slower job growth and lower net migration expected through 2017

Employment growth in Saskatoon is forecast to slow to 0.3 per cent in 2015 as lower oil prices continue to dampen investment and limit business hiring intentions. As a result, the unemployment rate is expected to rise to 5.5 per cent this year from 4.2 per cent in 2014. An expected improvement in the outlook for oil prices towards the latter part of 2016 will support a modest 1.2 per cent expansion in average employment next year and a 1.5 per cent gain in 2017. These gains will be supported by ongoing spending in commercial, infrastructure and institutional projects. Notwithstanding, the unemployment rate will remain elevated compared to recent years at 5.7 and 5.6 per cent in 2016 and 2017, respectively.

The number of people employed in Saskatoon increased by 1,000 from January through August 2015,

Figure 6

Saskatoon CMA - Job growth will be modest throughout forecast period

Source: Statistics Canada, CMHC Forecast (f)

compared to the addition of 5,900 workers in the same period one year prior. Of this addition, 700 were part-time positions, while only 300 were full-time roles. During this period, total average weekly earnings increased slightly to \$950 from \$945 in the previous year. Meanwhile, Saskatoon's unemployment rate rose to 6.1 per cent in August 2015 from 4.5 per cent in August 2014.

With continued employment growth expected over the next two years, net migration to Saskatoon is projected to stabilize over the forecast horizon, but at levels significantly lower than in the 2012-2013 period. Net migration will decline to 6,100 this year and to 5,700 people in 2016. A slight increase to 5,800 people is forecast for 2017, as improving economic conditions begin to attract more migrants to the region.

Mortgage rates are expected to begin to rise moderately from current levels late in 2016

Mortgage rates are expected to continue trending close to current levels, supporting housing demand. However, consistent with the view of Canadian economic forecasters, CMHC expects interest rates to begin to rise moderately from current levels late in 2016, contributing to a modest slowdown in housing markets.

According to CMHC's base case scenario for 2015, the one-year mortgage rate is expected to be in the 2.60 to 3.30 per cent range, while the five-year rate is forecast to be within the 4.10 to 5.20 per cent range. For 2016, the one-year mortgage rate is expected to be in the 3.00 to 3.80 per cent range, while the five-year rate is forecast to be within the 4.70 to 6.00 per cent range. For 2017, the one-year mortgage rate is expected to be in the 3.90 to 4.80 per cent range, while the five-year rate is forecast to be within the 5.10 to 6.50 per cent range.

Trends at a Glance

Key Factors and their Effects on Housing Starts	
Mortgage Rates	Mortgage rates will begin to rise gradually late in 2016, contributing to moderation in housing demand.
Employment	An increase in the pace of employment growth in 2016 and 2017 will support housing demand.
Income	Modest growth in average weekly earnings is expected for this year, which will be less supportive of housing demand than in previous years.
Population	Net migration is forecast to decline in 2015 and 2016, but increase slightly in 2017, as economic conditions improve. Over the forecast period, net migration will continue to support household formation and housing demand in Saskatoon.
Resale Market	Fewer sales and declining resale prices will temper the move-up market, prompting a slower pace of housing starts in 2015. Higher listings will provide more choice in the resale market and also contribute to a decline in housing starts.
New Home Inventory	Elevated ownership inventory in the midst of moderating economic conditions will constrain housing starts in 2015 and 2016.

Forecast Risks

This outlook is subject to some risks, including:

- A prolonged period of lower oil prices or a further decline in prices from current market levels could result in weaker economic conditions than is forecast. In turn, this would slow employment growth more than is currently projected, leading to a more pronounced reduction in housing demand.
- The outlook assumes new home inventory will be drawn down at a steady pace. Further escalation in new home inventory, combined with a higher than expected increase in resale supply could precipitate a stronger reduction in housing starts than is currently forecast.
- A greater-than-expected improvement in the outlook for oil prices in 2016 and 2017 would substantively boost economic activity and employment growth, thus resulting in much stronger housing demand over the next two years than is currently expected.

Forecast Summary Saskatoon CMA Fall 2015									
	2012	2013	2014	2015(F)	% chg	2016(F)	% chg	2017(F)	% chg
New Home Market									
Starts:									
Single-Detached	2,025	1,658	1,577	1,100	-30.2	1,080	-1.8	1,090	0.9
Multiples	1,728	1,322	1,954	1,300	-33.5	1,310	0.8	1,330	1.5
Starts - Total	3,753	2,980	3,531	2,400	-32.0	2,390	-0.4	2,420	1.3
Average Price (\$):									
Single-Detached	408,491	437,880	446,739	455,000	1.8	462,000	1.5	470,000	1.7
Median Price (\$):									
Single-Detached	370,000	409,900	429,502	430,000	0.1	434,300	1.0	441,000	1.5
New Housing Price Index (% chg.)	2.3	1.5	2.4	0.0	-	0.8	-	1.2	-
Resale Market									
MLS® Sales	5,398	5,543	5,996	5,200	-13.3	5,260	1.2	5,350	1.7
MLS® New Listings	10,217	11,385	12,805	13,700	6.3	13,900	1.5	14,100	1.4
MLS® Active Listings	2,197	2,431	2,673	3,100	15.9	3,200	3.2	3,260	1.9
MLS® Average Price (\$)	319,469	332,058	341,061	338,700	-0.7	343,800	1.5	349,200	1.6
Rental Market									
October Vacancy Rate (%)	2.6	2.7	3.4	4.7	1.3	4.7	0.0	4.5	-0.2
Two-bedroom Average Rent (October) (\$)	1,002	1,041	1,091	1,115	2.2	1,130	1.3	1,140	0.9
Economic Overview									
Mortgage Rate (1 year) (%)	3.17	3.08	3.14	2.60 to 3.30	-	3.00 to 3.80	-	3.90 to 4.80	-
Mortgage Rate (5 year) (%)	5.27	5.24	4.88	4.10 to 5.20	-	4.70 to 6.00	-	5.10 to 6.50	-
Annual Employment Level	152,700	164,200	169,100	169,607	0.3	171,642	1.2	174,217	1.5
Employment Growth (%)	5.7	7.5	3.0	0.3	-	1.3	-	1.5	-
Unemployment rate (%)	5.5	4.3	4.1	5.5	-	5.7	-	5.6	-
Net Migration ⁽¹⁾	9,400	7,768	7,608	6,100	-19.8	5,700	-6.6	5,800	1.8

MLS® is a registered trademark of the Canadian Real Estate Association (CREA).

Source: CMHC (Starts and Completions Survey, Market Absorption Survey), adapted from Statistics Canada (CANSIM), CREA, Statistics Canada (CANSIM)

NOTE: Rental universe = Privately initiated rental apartment structures of three units and over

The forecasts included in this document are based on information available as of September 28, 2015.

DEFINITIONS AND METHODOLOGY

New Home Market

Historical home starts numbers are collected through CMHC's monthly Starts and Completions Survey. Building permits are used to determine construction sites and visits confirm construction stages. A start is defined as the beginning of construction on a building, usually when the concrete has been poured for the whole of the structure's footing, or an equivalent stage where a basement will not be part of the structure.

Single-Detached Start:

The start of a building containing only one dwelling unit, which is completely separated on all sides from any other dwelling or structure.

Semi-Detached Start:

The start of each of the dwellings in a building containing two dwellings located side-by-side, adjoining no other structure and separated by a common or party wall extending from ground to roof.

Row (or Townhouse) Start:

Refers to the commencement of construction on a dwelling unit in a row of three or more attached dwellings separated by a common or party wall extending from ground to roof.

Apartment and other Starts:

Refers to the commencement of construction on all dwellings other than those described above, including structures commonly known as stacked townhouses, duplexes, triplexes, double duplexes and row duplexes.

Average and Median Single Detached Home Prices:

Are estimated using CMHC's Market Absorption Survey, which collects home prices at absorption and measures the rate at which units are sold or rented after they are completed. Dwellings are enumerated each month after a structure is completed until full absorption occurs. The term "absorbed" means that a housing unit is no longer on the market as it has been sold or rented.

New Home Price Indexes:

Changes in the New Home Price Indexes are estimated using annual averages of Statistics Canada's monthly values for New Housing Price Indexes (NHPI).

Resale Market

Historical resale market data in the summary tables of the Housing Market Outlook Reports refers to residential transactions through the Multiple Listings Services (MLS®) as reported by The Canadian Real Estate Association (CREA). In Quebec, this data is obtained by the Centris® listing system via the Quebec Federation of Real Estate Boards.

MLS® (Centris® in the province of Quebec) Sales:

Refers to the total number of sales made through the Multiple Listings Services in a particular year.

MLS® (Centris® in the province of Quebec) Average Price:

Refers to the average annual price of residential transactions through the Multiple Listings Services.

Rental Market

Rental Market vacancy rates and two bedroom rents information is from Canada Mortgage and Housing Corporation's (CMHC's) October Rental Market Survey (RMS). Conducted on a sample basis in all urban areas with populations of 10,000 and more, the RMS targets privately initiated structures with at least three rental units, which have been on the market for at least three months. The survey obtains information from owners, managers, or building superintendents through a combination of telephone interviews and site visits.

Vacancy Rate:

The vacancy rate refers to the average vacancy rate of all apartment bedroom types. A unit is considered vacant if, at the time of the survey, it is physically unoccupied and available for immediate rental.

Two Bedroom Rent:

The rent refers to the average of the actual amount tenants pay for two bedroom apartment units. No adjustments are made for the inclusion or exclusion of amenities and services such as heat, hydro, parking, and hot water.

Economic Overview

Labour Force variables include the Annual Employment Level, Employment Growth, Unemployment Rate. Source: Statistics Canada's Labour Force Survey.

Net Migration:

Sum of net interprovincial (between provinces), net intra-provincial (within provinces), net international (immigration less emigration), returning Canadians and temporary (non-permanent) residents as provided to the CAPSIM database by Statistics Canada's Demography Division. Sources of inter-provincial and intra-provincial migration data include a comparison of addresses from individual income tax returns for two consecutive years from Canada Revenue Agency (CRA) taxation records. The migration estimates are modelled, with the tax file results weighted to represent the whole population.

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